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ARIZONA CORPORATION COMMISSION
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DOCKET CONTROL

2015 JUN 29 AM 9:25
June 26, 2015

Mr. George H. Johnson
Managing Member
5230 East Shea Boulevard, Suite 200
Scottsdale, Arizona 85254

Arizona Corporation Commission
DOCKETED

JUN 29 2015

RE: Johnson Utilities, L.L.C.
Compliance Filing Required by Decision No. 74695
(Earnings Test Report)
Docket No. WS-02987A-08-0180

DOCKETED BY	
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Dear Mr. Johnson:

Staff is in the process of reviewing the Johnson Utilities, L.L.C. ("Johnson" or "Company") 2015 Earnings Test that the Company provided. To facilitate Staff in its review of this filing, Staff has identified a number of areas which need clarification. These areas of inquiry are listed on a separate attachment.

Thank you for your assistance in this matter. If you have any questions, please contact Crystal Brown of our Staff by phone at (602) 542-0864 or by Email at Cbrown@azcc.gov.

Sincerely,

James R. Armstrong
Chief, Financial & Regulatory Analysis Section
Utilities Division

QUESTIONS REGARDING THE EARNINGS TEST FILING

1. Outside Services (Management Fee), Water Division – Staff has reviewed the information Johnson provided to RUCO regarding Outside Services, Account No. 630 in preparation for a meeting that the Company had with RUCO on or about June 15, 2015. The documentation that the Company provided showed that the water division incurred \$6,766,225 for Outside Services in the year 2013 and \$6,206,498 in the year 2014. Further, the documentation described the expenses as:
 - a. Salaries and Wages,
 - b. Employee Pension and Benefits,
 - c. Vehicles-fuel,
 - d. Insurance & maintenance,
 - e. Etc.

Please provide a breakdown of the amount for each classification listed above for the years 2013 and 2014. As part of your response, please provide a detailed description of each component of the classification entitled "Etc."

2. Contractual Services (Management Fee), Wastewater Division – Staff has reviewed the information Johnson provided to RUCO regarding Contractual Services, Account No. 731 in preparation for a meeting that the Company had with RUCO on or about June 15, 2015. The documentation that the Company provided showed that the wastewater division incurred \$6,142,890 for Outside Services in the year 2013 and \$7,523,096 in the year 2014. Further, the documentation described the expenses as:
 - a. Salaries and Wages,
 - b. Employee Pension and Benefits,
 - c. Vehicles-fuel,
 - d. Insurance & maintenance,
 - e. Etc.

Please provide a breakdown of the amount for each classification listed above for the years 2013 and 2014. As part of your response, please provide a detailed description of each component of the classification entitled "Etc."

3. Accumulated Deferred Income Taxes ("ADIT") – Decision No. 73992, dated July 16, 2013 authorized Johnson Utilities to recover income taxes from ratepayers. Please provide a copy of the ADIT calculation work papers showing Johnson's ADIT calculations since this date. Also, please explain why this ADIT was not included on line 17 of Schedule No. 1 and line 41 of Schedule No. 2 of the Company's 2015 Earning Test submittal.
4. Miscellaneous Expense – The Earnings test shows Miscellaneous Expense of \$588,783. Please provide the amount and a detailed description of each component of the \$588,783 amount.